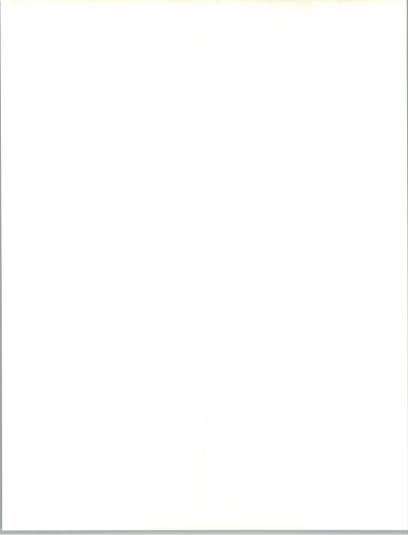
A Presentation for SLIGOS

On

Oustourcing and EDI





Outsourcing

Doug Tayler Vice President INPUT



Outsourcing

OU-43

Notes

INPUT

10/7/91



"IBM runs our computer center as it's supposed to be run—as a profit center, not a cost center."

Kathy Hudson, Kodak

Source: Fortune article

INPUT

Notes

OU-2a

"I haven't lost 200 people, I've gained 50,000."

Jack Livingston, National Car Rental

Source: Fortune article

OU-3a

Notes	
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Outsourcing

- Outsource non-competitive activities
- · Outsourcing builds flexibility
- · Outsourcing allows focus

Source: HBR Article

INPUT

OU-5

Notes			

Key Conclusions

- Vendor profit margins are generous (25-30%)
- Clients save up to 40%
- Outsourcing—a strategic decision for clients

Source: Fortune article

INPUT

Notes

11/11/91

OU-4a



Key Conclusions

- Some risk in outsourcing development
- New forms of corporate interdependence

Source: Fortune article

OU-4b

Notes	
	1



"Outsourcing" vs. Buying Services

1980s: Services achieved

recognition

1990s: Overcome prejudice against buying management

services

INPUT

Notes		
		-53

OU-10

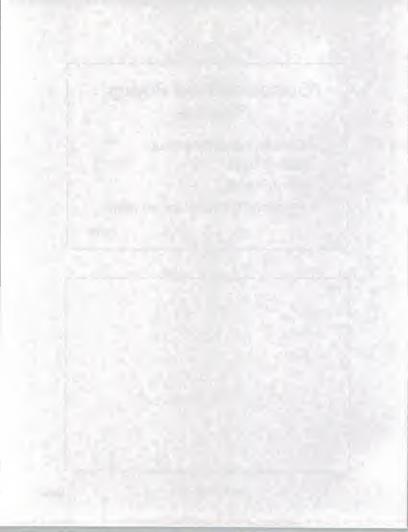


"Outsourcing" vs. Buying Services

- Greater commitment on part of buyer
- "Partnership"
- Responsibility/risk for vendors

OU-11

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IS Outsourcing Areas

- 1. Systems operations
- 2. Applications maintenance
- 3. Applications management
- 4. Network operations
- 5. Desktop services

OU-7

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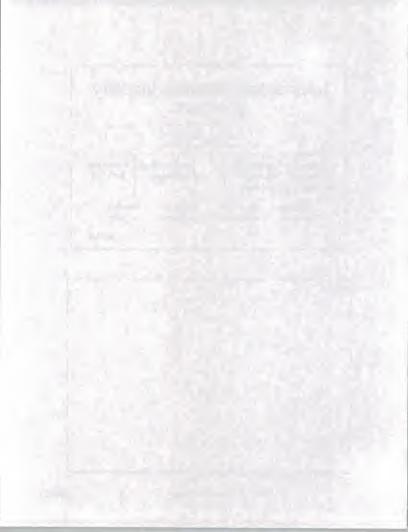
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0/25/91

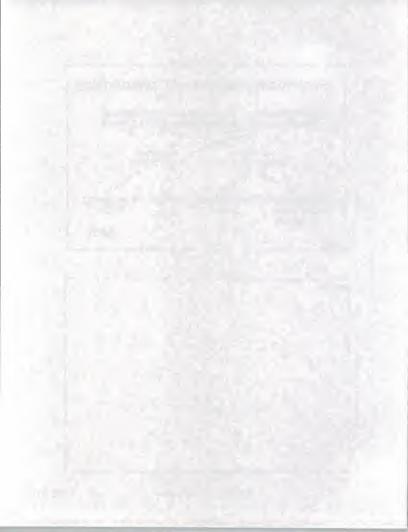


Information Services Industry Structure Total Industry Processing Systems Applications Professional Services Software Software Services Products Products Turnkey Systems Systems Network Integration Operations Services Systems INPUT IS-2

Notes		
9/28/91		



Re-engineering Applications Applications Management Management Management Systems Operations Operations Operations Software Sycs. Sycs. Sycs. Products INPUT



Outsourcing in the 1990s What is Different

- · Size and length of commitment
- Breadth of responsibility assumed by vendor
- · Client seeking partner

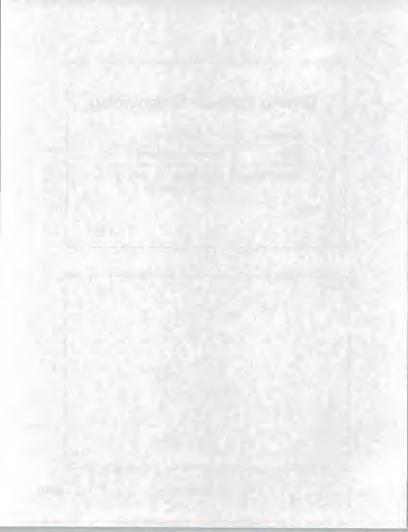
OU-19

Driving Forces—Outsourcing

Category	Outsourcing		
Staff	Scarcity of talents		
Technology	Increasing complexity New technology		

OU-24

Note	•			
	83			



Driving Forces—Outsourcing

Category	Outsourcing
Response	Service requirements Flexible operations
Financial	Cost reduction New scales of economy
Management	Executive refocus

OU-25

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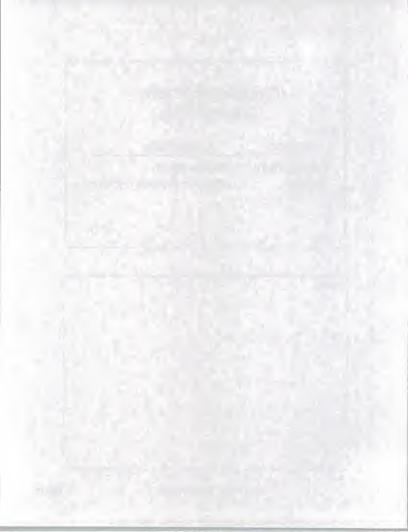


Inhibiting Factors Outsourcing

Category	Outsourcing
	Loss of control
Fallback	Inability to reverse decision
Fallback	

OU-25a

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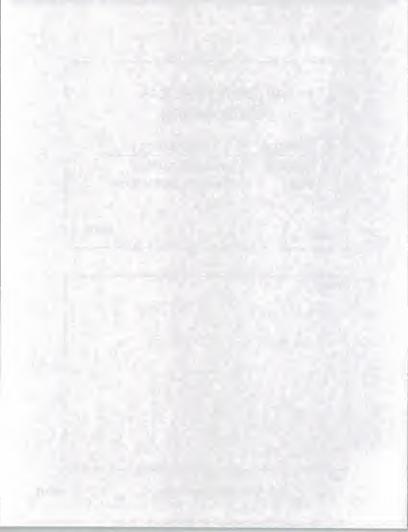
Inhibiting Factors Outsourcing

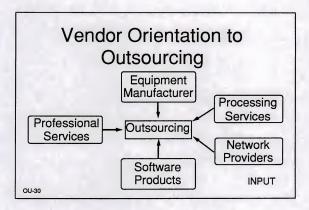
Category	Outsourcing
Financial	Uncertain savings
Staff	Threat to organization

OU-25b INPUT

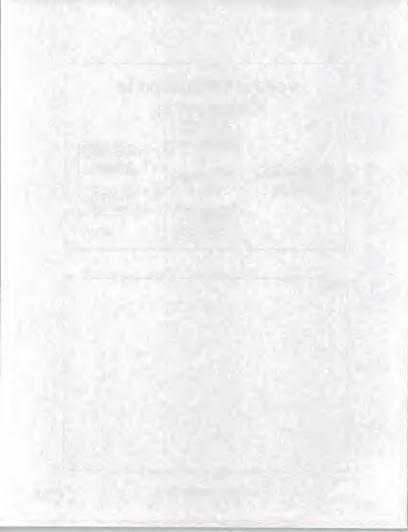
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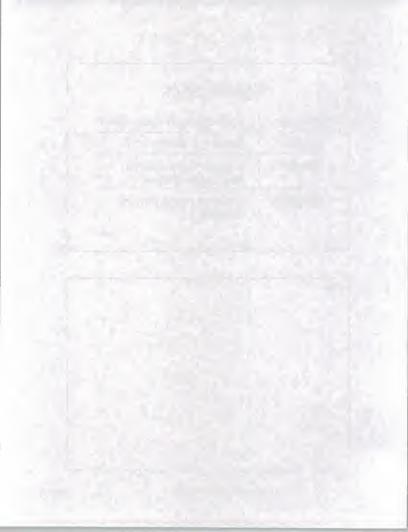
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Systematics

Heritage	Applications management
Focus	Banking industry only
Strength	Industry specialization Application software
Direction	Systems management (banking)
	INPUT

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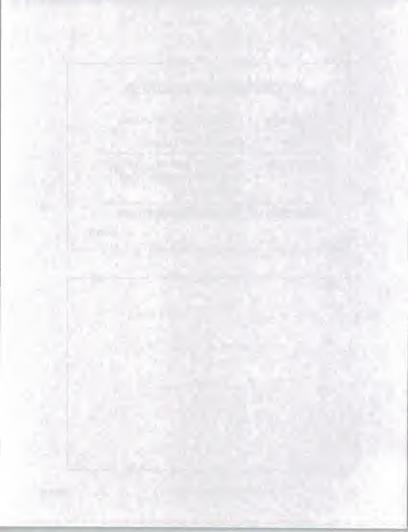


Andersen Consulting

Heritage	Professional services
Focus	Business solutions
Strength	Consulting methodology Systems development methodology
Direction	Systems management
	INDIT

OU-34

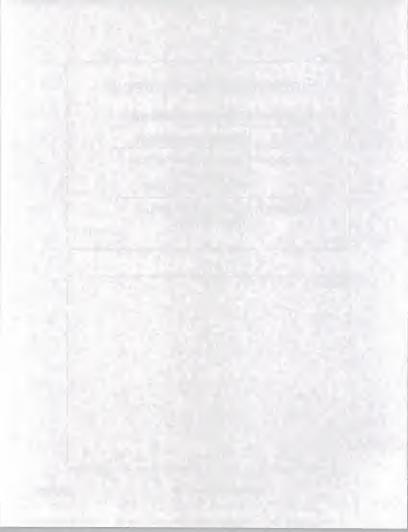
Notes		



Electronic Data Systems

	Heritage	Facilities management	
	Focus	Systems operations	
	Strength	Network and network management Huge data centers	
	Direction	Vertical applications management	INPUT
OU-35			

Notes			
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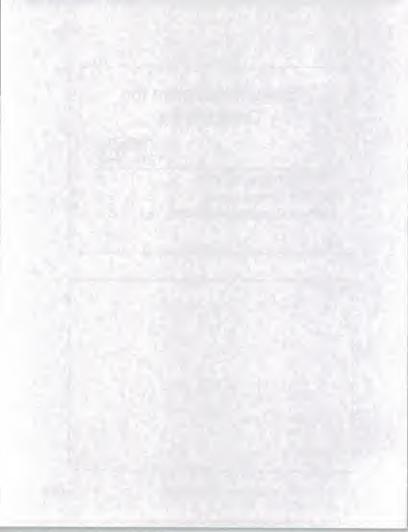


Buyer Motivation for Outsourcing

	Rar	nking
		1990
Reduce Operating Costs	1	2
Improve Service Levels	2	5
Refocus Executive Attention	3	8
		INPUT

OU-45a

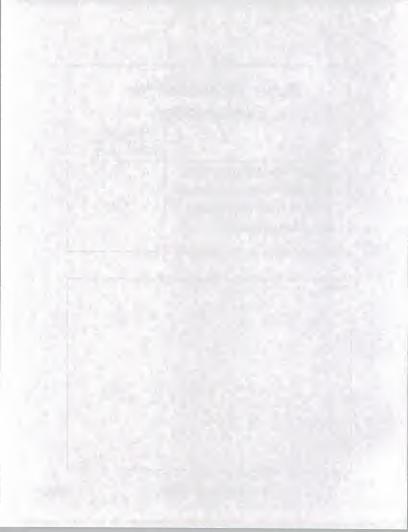
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Buyer Motivation for Outsourcing

Ran	nking
1991	1990
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5	6
6	NM
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	1991 4 5

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Systems Operations (SO)

INPUT SO-1

Notes



SO Definition

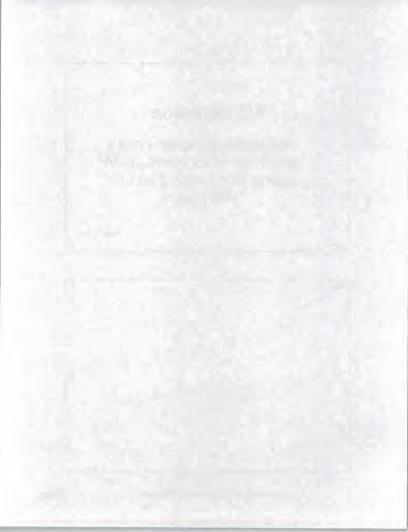
Contracting for all or a major portion of an IS operation on a long-term (more than one year) basis

INPUT

Notes

SO-73

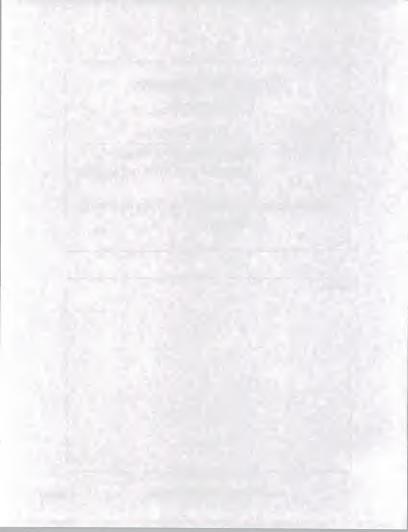
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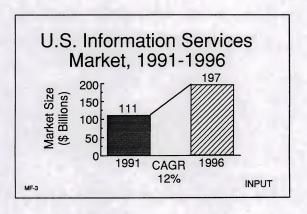


Types of Systems Operations

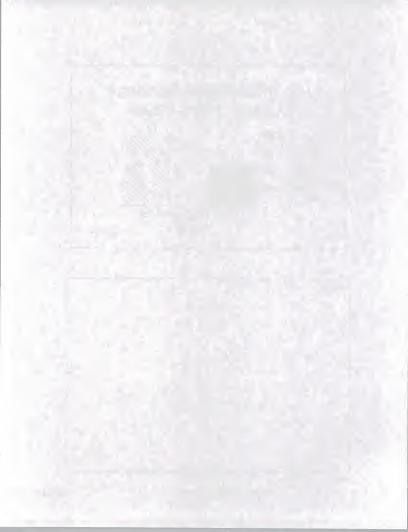
Type	Responsibilities
Platform	Operations of computer systems and their networks
	Operations and applications software
SO-74	INFOT

Notes			

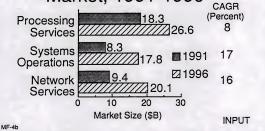


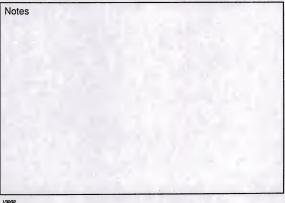


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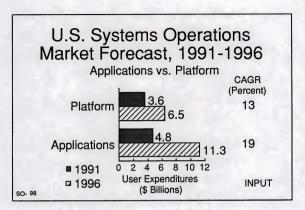


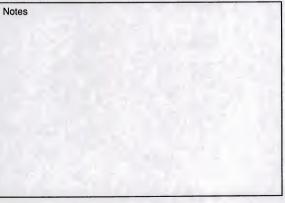
U.S. Information Services Market, 1991-1996



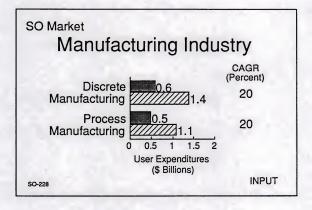


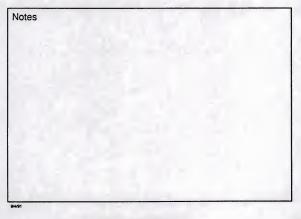




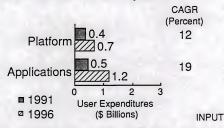








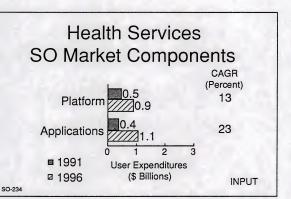
Insurance Industry SO Market Components



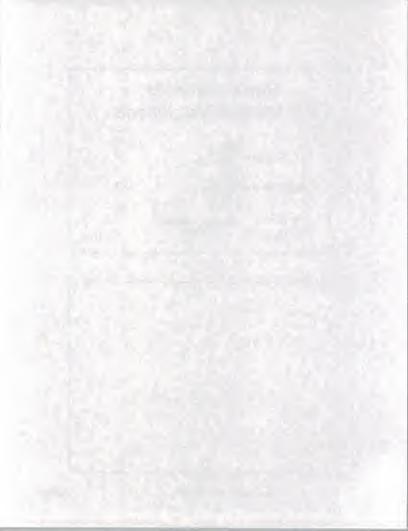


SO-233









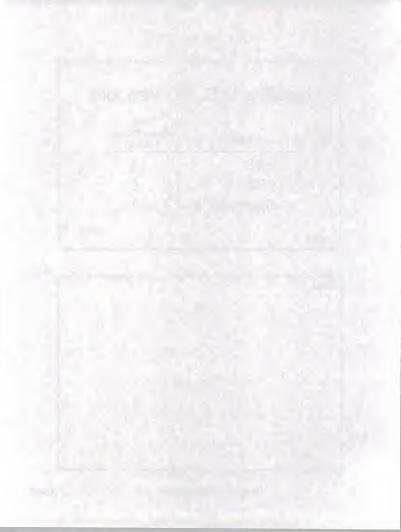
Leading U.S. SO Vendors

1990 Market Share (Percent)	
14	
6	
3	

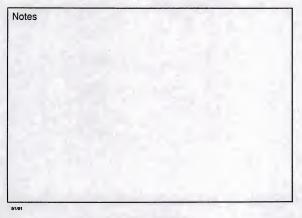
SO-25a

Notes

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Systems Operations, Western Europe

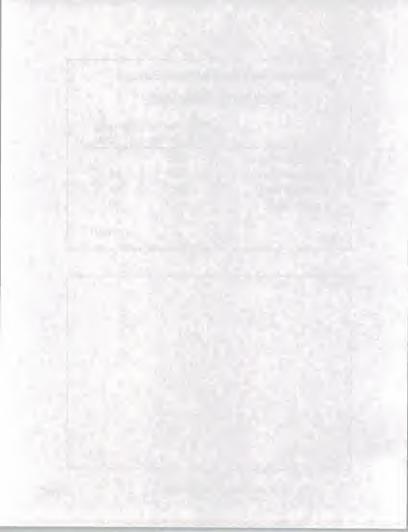
Industry Markets

1989 Market (\$ Millions)	Percent of Total	
230	22	
190	18	
180	17	
140	13	
	230 190 180	

E-SO-2

INPUT

Notes		



Systems Operations, Western Europe

Leading Vendors 1989

-114	Market Share (Percent)	Est. Revenues (\$ Millions)
EDS	10	88
Hoskyns	6	56
Finsiel	5	45
GSI	5	43

E-SO-3

Notes		
\$1.01	 	



Systems Operations Contract

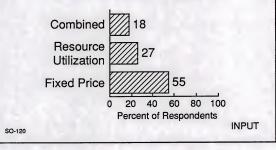
Impact and Benefits

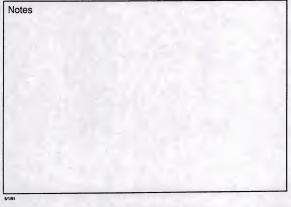
SO-116

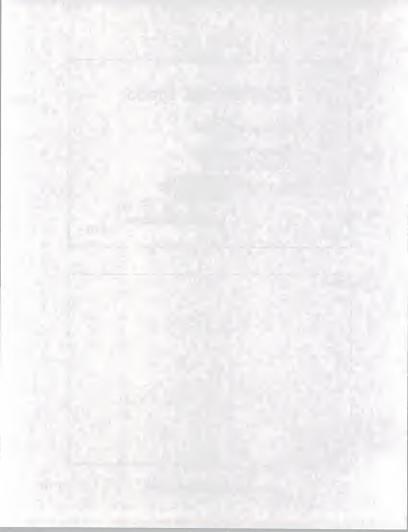
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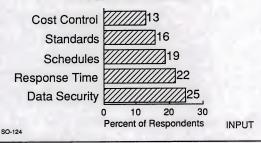
SO Contract Types

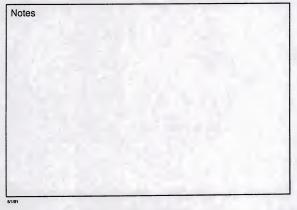


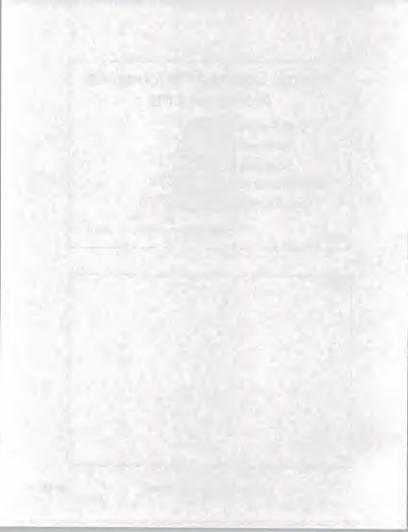




Typical Contract Performance Measurements



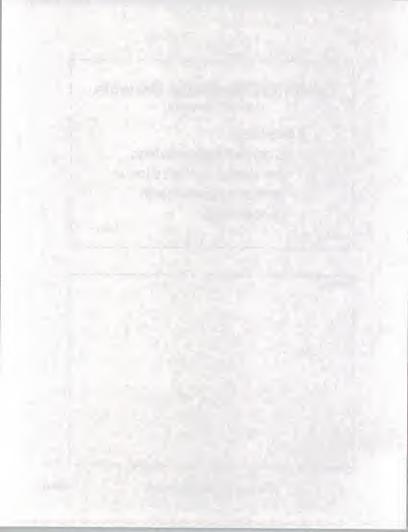




Systems Operations Benefits (Users' Viewpoint)

- Business
 - Cost reduction/savings
 - Increased business focus
 - Improved career path
 - Predictability

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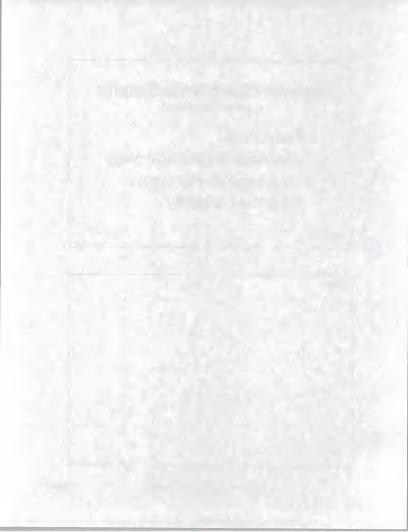
Systems Operations Benefits (Users' Viewpoint)

- Technology
 - Access to better technology
 - Improved service quality
 - Improved reliability

SO-127

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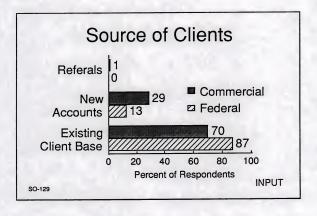
Vendor Practices and Strategies

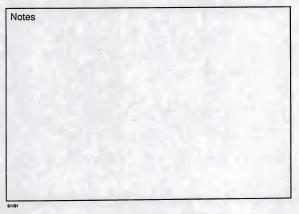
SO-128

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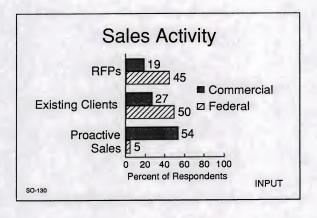
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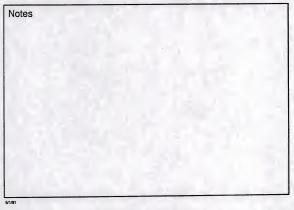




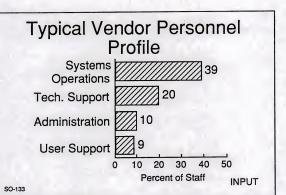


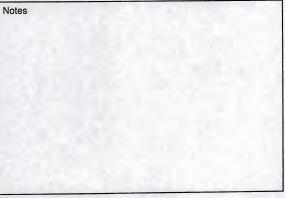




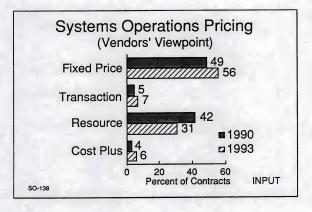














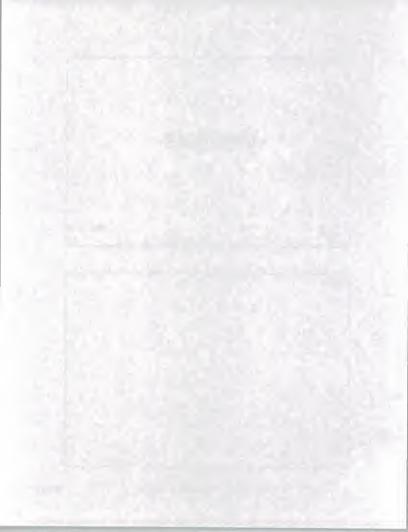


Vendors

SO-82

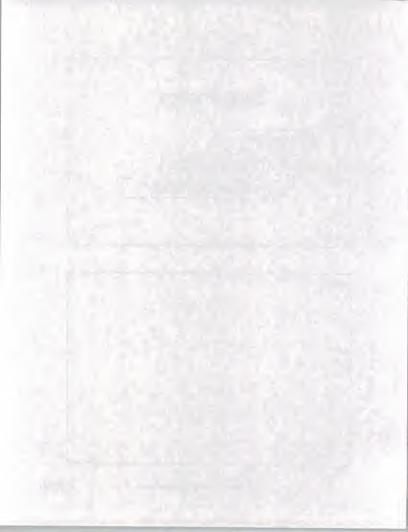
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Notes



Systematics Software Turnkey Systems Systems Operations INPUT

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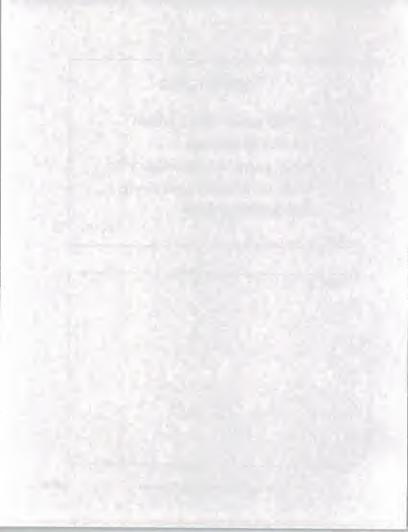


Systematics

- 1990 sales \$255 million
- 3,900 employees
- · 20+ years in finance/banking
- · 948 banking/finance clients
- Acquired by Alltel

SO-209

Notes					



Systematics

- Targeted markets
 - Commercial banks
 - Saving and loans
 - Credit unions
 - Mortgage servicing

SO- 210

INPUT

Notes	

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Computer Sciences Corporation

Systems Integration

Systems Operations

Professional Services

INPUT

Notes

5/1/91

SO- 211



Computer Sciences Corporation

- 1991 revenue \$1.7 billion
- 22,000 professionals
- Strong acquisition activity

SO- 212a

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CSC Outsourcing Strategy

- · Leverage federal experience
- · Gain commercial market share
- Focus on applications processing

SO- 212d

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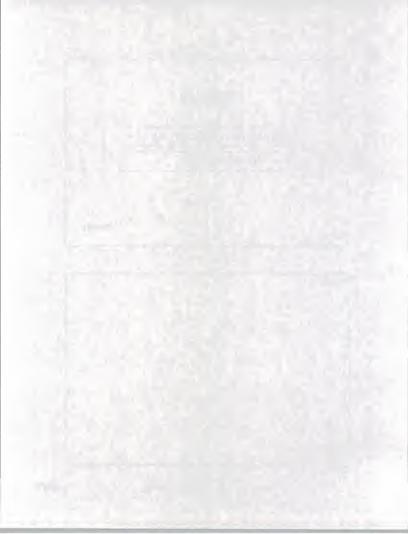
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GENIX Systems Operations Network Mgt. INPUT

Notes	

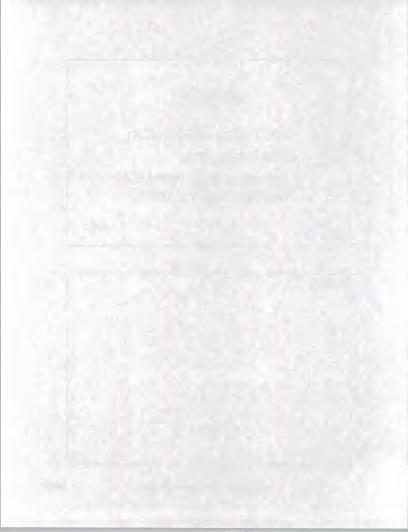


GENIX

- 1990 sales \$50 million
- 270 employees
- Recent merger with MCN doubled revenue base

SO-215

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GENIX

- Targeted markets
 - Manufacturing
 - ° Process
 - ° Discrete
 - Engineering

SO-216

Notes	



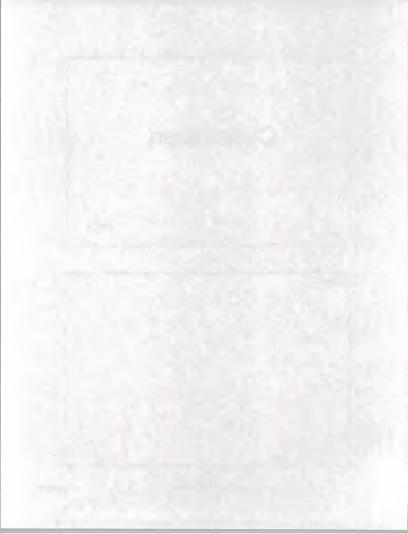
Conclusion

MS-18

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Notes

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Systems Management

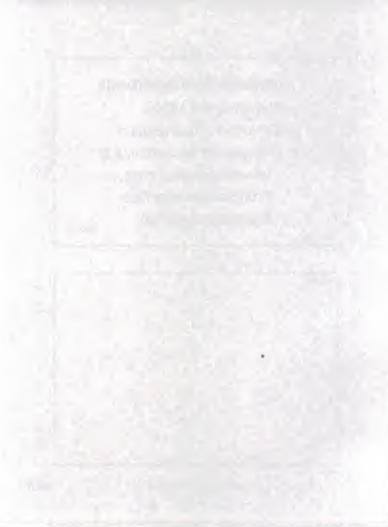
- · Market of the 1990s
- · Evolution and revolution
- · Offerings to become mix of
 - Information technology
 - Professional expertise
 - Business execution

IS-36

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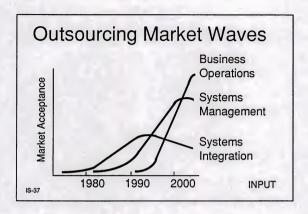
IS Outsourcing Areas

- 1. Systems operations
- 2. Applications maintenance
- 3. Applications management
- 4. Network operations
- 5. Desktop services

OU-7

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Business Operations Market

- Potential market 2 to 5 times information systems expenditures
- Contractors will show reduction in overall costs of 25% or more

IS-38

Notes		

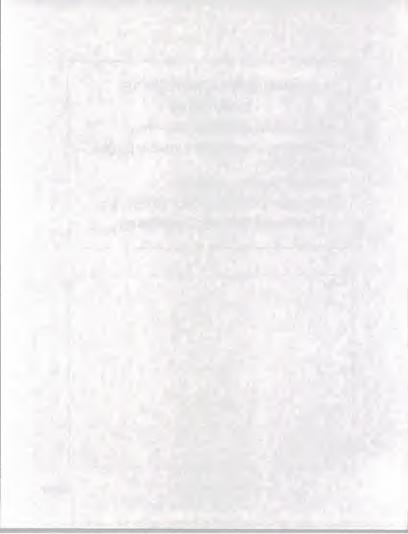


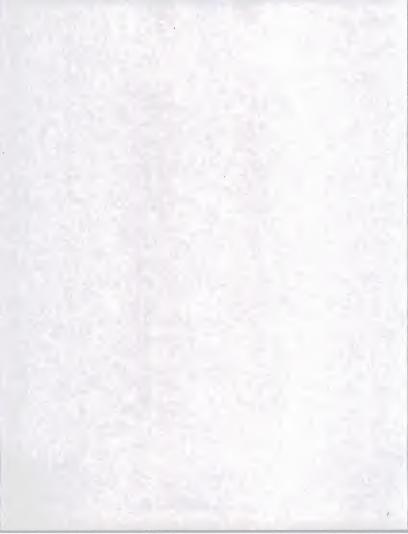
Business Operations Examples

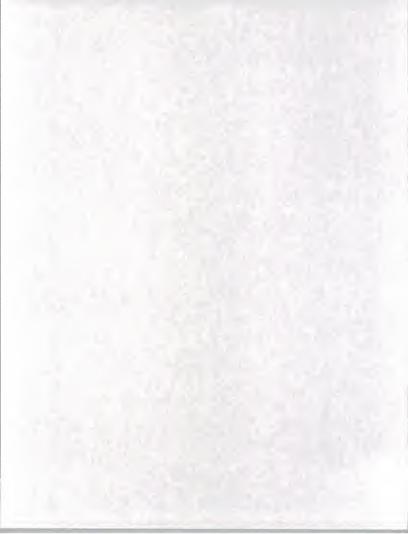
- · Insurance claims processing
- Telephone company yellow pages operation
- · Credit card operations
- Coupon processing for retailers
- Fulfillment for direct marketing INPUT

IS-39

Notes				

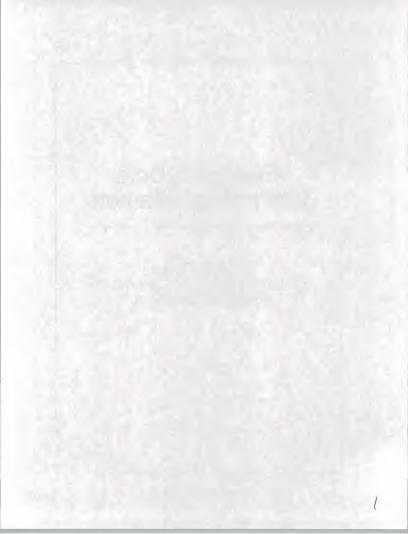


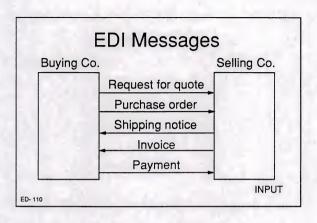




Electronic Data Interchange Markets

Torrey Byles EDI and Electronic Commerce Program Manager





Notes	
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Mainstream EDI Markets

- · Manufacturing
- Transportation
- Distribution

ED- 95

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Notes	

10/21/91

Specialized EDI Markets

- · Health care
- Finance
- Government

ED- 96

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10/21/91

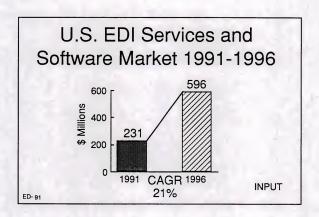
Emerging EDI Markets

- Travel and tourism
- · Communications/media
- Education
- Construction

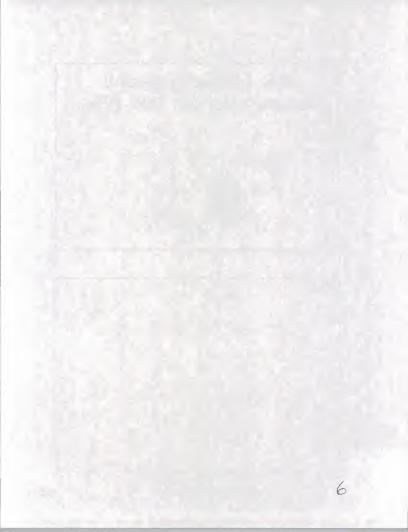
ED- 97

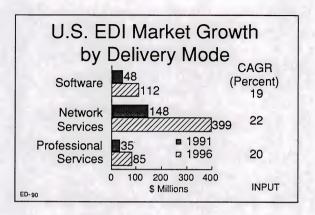
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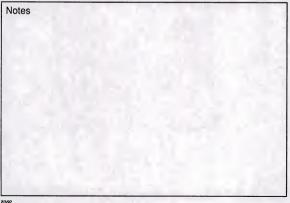
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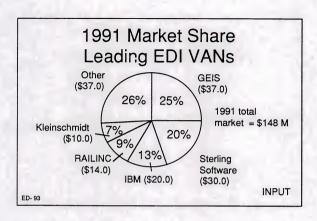


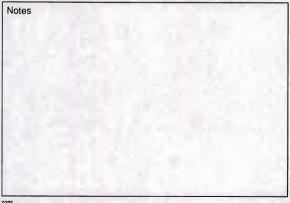










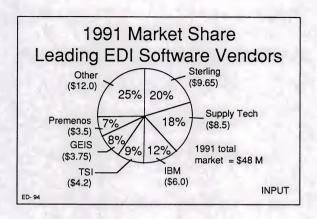


Distribution of Customer Revenues by Percentile for EDI Network Services

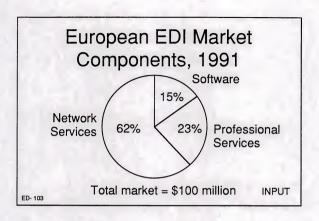
Customer Base Percentile	Average Annual Network Revenue (\$)
85	2,000
14	11,000
1	60,000
ED- 106	INPUT

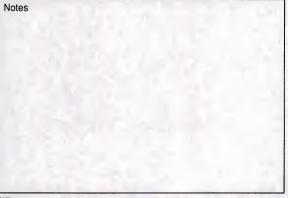
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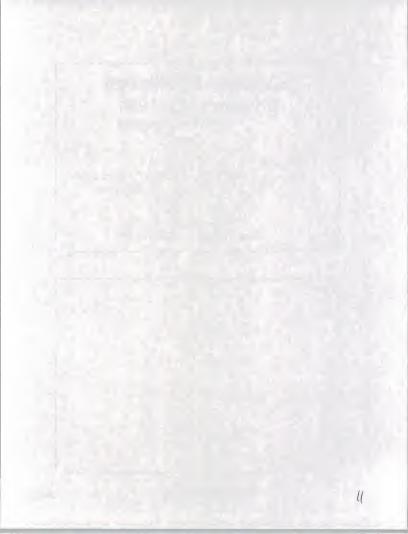




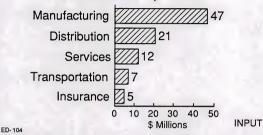


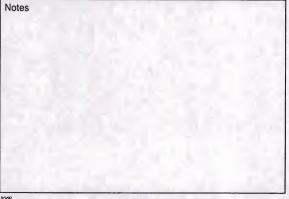


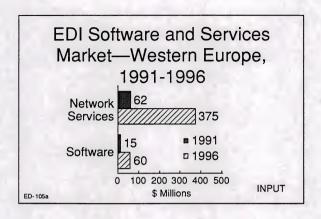


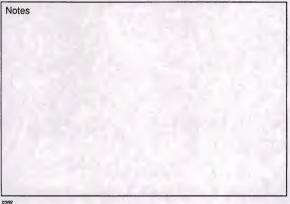


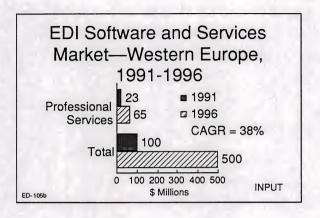
Leading European EDI Industries, 1991



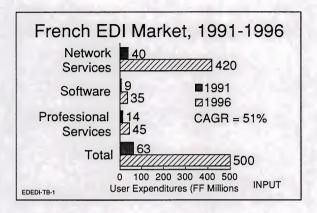












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French EDI Vendors

Vendor	1990 Anticipated Revenues (FF M	
GEIS	20.2	
GSI	11.1	
Transpac	4.8	
Bull	4.6	

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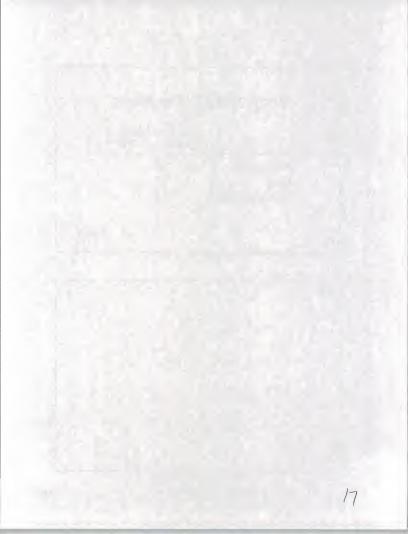
French EDI Vendors

Vendor	1990 Anticipated Revenues (FF M)
Axone/IBM	1.9
EDS	1.7
Télésystemes	1.5

INPUT EDEDI-TB-2b

Notes

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European EDI Vendors

Vendor	EDI Revenues (\$ M)	Market Share (%)
INS	23.7	32
GEIS	13.9	19
AT&T Istel	9.7	13
IBM	5.5	7
GSI	2.7	4
EDEDI-TB-3a	4	INPUT

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European EDI Vendors

EDI Revenues (\$ M)	Market Share (%)
2.6	4
2.1	3
1.1	1
1.0	1
0.7	1
	(\$ M) 2.6 2.1 1.1 1.0

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Trends in EDI

- · Consolidaton of vendors
- Price competition
- Growing diversity of EDI applications
- · Users slow to integrate
- · EDI architecture changing

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ED- 113

EDI Vendor Opportunities and Strategies

- · Community solution/targeting
- · Data bases and utilities
- · Suite of software and services
- EFT, real time, international services

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Notes

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ED- 112

Definition of Electronic Commerce

Electronic commerce is the facilitation and recording of commercial transactions among organizations by interorganizational computer-based systems.

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Electronic Commerce Examples

Agribusiness - ARI Network Services
Pharmaceuticals - Sterling Software
Insurance - IVANs
Retail - Sears, Wal-Mart
Transportation - (Port Systems)
Retail - Transpet

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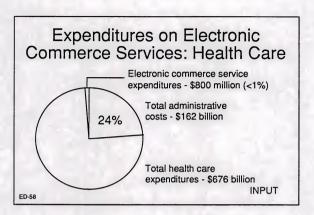
Electronic Commerce: Health Care

Application	\$ Millions
EDI	17
Claims processing	300
Claims payment	<1
Electronic information services	303
Network applications	180
Total	800

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ED- 109

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Grocery Electronic Commerce

	Service	\$ Millions
	EDI	20
	Card processing	510
	Check authorization	200
	Electronic marketing	100
ED- 10	7a	INPUT

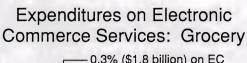
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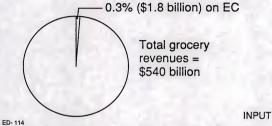
Grocery Electronic Commerce

Service	\$ Millions
Product movement	450
Commodity markets	300
Other	200
Total	1,780

ED-107b

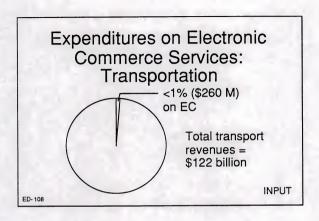
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Electronic Commerce: The New Institutional Framework

- Monopoly
- Standardization
- Finance
- Ownership
- Marketing
- Education

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Shifts

Hardware — Software

Market transactions — Structural coupling

Hierarchy — Network

Cartesian — Hermeneutic

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INPUT provides planning information, analysis, and recommendations for the information technology industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions.

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